

In conjunction with the financing of local projects utilizing a revenue pledge, it shall be the policy of the Virginia Resources Authority (“VRA”) to finance projects on parity with the senior debt obligations of the borrower except under circumstances explicitly approved by the VRA Board of Directors.

For these purposes the obligations of the borrower shall be broadly construed as any obligations which are paid from the revenue stream pledged including senior debt, subordinate debt, parity obligations, double barreled general obligations, notes and other such debt of any type.

The VRA Board of Directors may take the following circumstances into account when considering accepting a subordinate lien:

1. There is confirmed affordability impacts based on established statewide criteria with a prospective borrower; or
2. Where contractual limitations on the ability of the borrower to raise rates are determined to exist.

Notwithstanding such determination, the VRA Board of Directors may consider the following:

- A. The borrower covenants that it shall not issue any additional debt without the prior written consent of VRA; and
- B. The borrower shall be subject to the state aid intercept provisions of VRA’s statutes and shall demonstrate that its lowest level of state aid budgeted in the current fiscal year or received in the previous three fiscal years has been not less than 200% of the maximum annual future debt service of the borrower including any general obligation debt or other debt of the borrower subject to any state aid intercept provisions and taking into account issuance of the proposed debt and any other debt planned by the borrower during the next succeeding five year period; and
- C. The borrower shall agree to such terms as VRA shall deem necessary, it being understood that subordinate debt of the borrower that conforms with this policy will not necessarily entitle the borrower to the same terms that would apply to senior obligations.